

# THE PUBLIC SCHOOL MARKET IN MICHIGAN

## AN ANALYSIS OF SCHOOLS OF CHOICE

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# The Public School Market in Michigan: An Analysis of Schools of Choice

By Audrey Spalding

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## **Executive Summary\***

Nearly 100,000 Michigan students use “Schools of Choice” to attend a school outside of the district in which they live. Despite this large volume of students, this form of public school choice has not been widely studied, especially compared to other forms of public school choice such as charter schools.

This study examines the use of Schools of Choice throughout Michigan over the last decade. It measures growth over time, geographic spread and the revealed student and parental preferences the program brings to light. The study finds that Schools of Choice participation has grown steadily, with enrollment growing by 144 percent over the past 10 years.

Though enrollment through Schools of Choice was previously more prevalent in rural areas of the state, it is now widespread throughout Michigan. A total of 461 school districts reported receiving at least one student through Schools of Choice during the 2011-12 school year. High school and kindergarten students use Schools of Choice more than students in any other grade.

Schools of Choice enrollment is analyzed by locale, distinguishing among city, suburban, town and rural school districts. Rural districts have the largest proportion of students enrolling through Schools of Choice, with 89 percent of districts participating and accounting for nearly 10 percent of total enrollment. Only 3 percent city schools’ enrollment comes from Schools of Choice, the least among the four locale groups.

This study analyzes the characteristics of districts students chose to leave compared to those of districts students chose to attend. It finds that students enter districts that have higher graduation rates and higher test scores. On average, Schools of Choice students chose districts with higher pupil-teacher ratios, lower expenditures per pupil and higher average teacher salaries.

The study also looks at the impact Schools of Choice has on individual districts. Fifteen districts enroll more than 1,000 students through Schools of Choice, with Clintondale, Oak Park and West Bloomfield the top three. Sixteen districts, meanwhile, had more than 1,000 students leave their districts and enroll in a different one through Schools of Choice, with the Detroit, Lansing and East Detroit districts seeing the largest exodus of students.

Limitations to Schools of Choice policies are also discussed. The study recommends removing state policies that limit Schools of Choice participation by geography, allowing conventional districts to operate educational facilities and serve students outside of their borders and requiring all Michigan districts to open a minimum number of seats up to Schools of Choice participation.

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\* Citations provided in the main text.

## Introduction

For more than 500,000 Michigan students, the school they attend is likely the only nearby public option. The majority of school districts in Michigan have just one building that serves students of a given grade-level.<sup>1</sup>

Approximately 60 percent of Michigan school districts, for example, have just one building that serves first grade students. For sixth graders, the figure is 83 percent. The situation is worse for high school students: Almost 87 percent of school districts have just one school that offers ninth grade classes.

Charter public schools offer additional options to many of these students. During the 2012-13 school year, approximately 130,000 students attended charter schools.<sup>2</sup> However, charter schools are overwhelmingly concentrated in Michigan's urban areas. According to a Stanford University study, nearly half of charter students in Michigan attend school in the greater Detroit area.<sup>3</sup>

"Schools of Choice," a state policy that allows districts to receive state funding for nonresident students they enroll, has the potential to provide even more educational options to students in Michigan's public schools. During the 2011-12 school year, 461 districts reported enrolling at least one nonresident student through Schools of Choice, and nearly 100,000 K-12 students used the program.<sup>4</sup> Further, some school districts team up to offer similar opportunities that are not a part of Schools of Choice for students through cooperative programs.<sup>5</sup> As many as 40,000 students could be using those programs.<sup>6</sup>

Since its inception, student participation in inter-district Schools of Choice has expanded from rural areas to districts throughout the state. Some urban-area districts rely on the program heavily, and at least 15 districts report that half or more of their enrollment comes from nonresident students.<sup>7</sup> This paper focuses on Michigan's inter-district Schools of Choice policy and explores its use by geography, enrollment and parental preferences.\* Suggestions for state-level policy changes to improve Michigan's Schools of Choice policy are also discussed.<sup>†</sup>

## Legal Framework for Schools of Choice

Schools of Choice originates from Public Act 300 of 1996, which allowed districts to receive state aid on behalf of nonresident students within the boundaries of their resident intermediate school district.<sup>8</sup> Students did not need the approval of their own resident district to enroll in a different district. This act created section 105 of Michigan's State School Aid Act of 1979, and this policy will be referenced as "105 Choice" in this paper.

Schools of Choice was expanded in 1999 via Public Act 119. The expansion allowed school districts to receive state aid for nonresident students who lived in a different ISD, but only if

\* Note that intra-district school choice, parents choosing among schools within the same school district, is not analyzed in this paper.

† Parts of this introduction were taken from a blog post previously published by the author. Audrey Spalding, "School Choice Benefits Students" (Mackinac Center for Public Policy, Feb. 4, 2013), accessed Oct. 21, 2013, <http://goo.gl/DHPns7>.

those students came from a contiguous ISD.<sup>9</sup> This change created section 105c of the State School Aid Act of 1979, and this policy is referred to as “105c Choice” in this paper.

### ***Foundation Allowance***

Michigan is one of 18 states where state revenues make up more than 50 percent of public school district revenues.<sup>10</sup> This is due to a rework of public school funding passed by voters in 1994. Proposal A, approved by a statewide ballot, changed the primary school funding mechanism to one based more on statewide sales, use, cigarette and income taxes, and relying less on local property taxes.<sup>11</sup>

These taxes supply the majority of the revenue for Michigan’s School Aid Fund, which is used to provide state aid to school districts based on enrollment. This state aid primarily comes in the form of a “foundation allowance,” a state-provided guaranteed amount of funding per student that every school district and charter school receives.<sup>12</sup> The foundation allowance is an important element of Schools of Choice, because students’ foundation allowances “follow” them to the district in which they enroll.

The state foundation allowance for nonresident students is either the foundation allowance of the student’s resident district, or the foundation allowance of the student’s enrolling district, whichever is less.\* During the 2012-13 school year, the minimum any Michigan school district received through the foundation allowance was \$6,966 per pupil.<sup>13</sup>

Michigan’s school funding mechanism provides a strong incentive for school districts to enroll students through Schools of Choice, especially districts that are struggling financially with rising costs or declining enrollment. Indeed, Schools of Choice provides districts an opportunity to immediately increase their revenue without necessarily incurring large additional costs.

### ***Count Days***

The number of students districts receive a foundation allowance for is determined by how many students attend school on two “count days,” one in October and one in February. During the 2012-13 school year, the October count made up 90 percent of a district’s overall enrollment figure, and the February count made up the remaining 10 percent.<sup>14</sup> Nonresident students enrolling through Schools of Choice are accounted for using this same methodology.<sup>15</sup>

Using count days to determine funding for school districts is a high-stakes game: Districts must have a student in attendance on those two particular days in order to receive full funding on

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\* If the student is a special education student, the district will become the student’s resident district for purposes of accounting. Though students enrolling through Schools of Choice do not need their resident district’s approval, the resident and educating districts must enter into a cooperative agreement for each special education student enrolled through 105c Choice. The agreement must address the additional costs for educating the student. If no agreement is reached, the student must de-enroll from the nonresident district. See “51 - Section 105 and 105c Schools of Choice Pupils” (Michigan Department of Education, 2011), accessed Nov. 12, 2013, <http://goo.gl/MP2oR4>; MCL § 388.1620(5).

behalf of that student.\* This practice also discourages districts from enrolling students through Schools of Choice during the second half of the school year, because those students only count towards 10 percent of a district's total enrollment figure.

The 2012-13 State School Aid Act, in a section intended to take effect during the 2013-14 school year, attempts to improve the way students are counted for the purposes of determining state aid to districts. It allows districts to claim the nonresident students they enroll after count days in order to receive a proration of the school aid payment associated with that student.<sup>16</sup> The mechanics of how this will be accomplished, however, still have not been addressed. During the 2013-14 school year, attendance on the October count day still determined 90 percent of a district's overall count.<sup>17</sup>

### ***District discretion***

School districts have the ultimate discretion over whether to enroll students through Schools of Choice.<sup>18</sup> Each school year, districts determine whether to accept nonresident students through Schools of Choice, either section 105 (intra-ISD) or section 105c (inter-ISD), or both. They also determine whether to limit the number of nonresident students accepted.<sup>19</sup> Districts choosing to enroll Schools of Choice students can limit enrollment by grade, school or special program.<sup>20</sup> Districts must notify the general public of Schools of Choice availability, and use a random lottery to select which students get to enroll if the number of nonresident applicants exceeds the number of seats the district has made available.<sup>21</sup>

Research suggests that school districts have used this discretion, at least in the past, for their own perceived benefit. In a 2000 Mackinac Center report, Matthew Ladner and Matthew Brouillette noted that during the 1999-2000 school year, just 17,440 students participated in Schools of Choice. They wrote:

The public “schools-of-choice” program has had very limited impact on school districts, primarily because only those districts that wish to participate do so.

The ability of districts to restrict competition severely limits the good it might otherwise do.<sup>22</sup>

In a 1999 Michigan State University study, David Arsen, David Plank and Gary Sykes argued that some districts use Schools of Choice only selectively. The authors wrote:

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\* Exceptions are made for students with excused or unexcused absences, as well as students who were suspended.

From our interviews with school administrators, it is apparent that suburban school boards consider the racial composition of their own enrollments when they decide whether to participate in inter-district choice. For example, all of the districts bordering Benton Harbor have “opted out” of inter-district choice. Other districts have chosen to participate in inter-district choice but have managed their participation to ensure that the inflow does not significantly increase their percentage of minority students.<sup>23</sup>

Though some districts may have elected to selectively enroll students through Schools of Choice previously, the number of students using Schools of Choice has more than doubled from 40,753 to 99,301 during the past 10 years and the number of districts enrolling students through Schools of Choice has increased dramatically as well.\* During the 2011-12 school year, 410 school districts (75 percent) reported enrolling at least one student through 105 Choice, and 343 districts (62 percent) reported enrolling at least one student through 105c Choice.<sup>†</sup> In total, 493 districts reported losing at least one student through 105 Choice, and 464 districts reported losing at least one student through 105c Choice.<sup>24</sup>

Some school districts have opted to use Schools of Choice to alleviate budgetary problems. For the 2013-14 school year, for example, the Lake Orion school district was facing a loss of \$1.8 million in revenue, and began to use Schools of Choice for the first time, opening up nonresident enrollment for up to 175 kindergartners. Lake Orion Superintendent Marion Ginopolis wrote: “We think a restricted Schools of Choice program will actually help save the current award-winning instructional programs for our 7,800 resident students.”<sup>25</sup>

In comparison, the Milan district has long accepted students through Schools of Choice, but is working to attract more. About 22 percent of the students enrolled in the district in the 2011-12 school year came through Schools of Choice. Superintendent Bryan Girbach announced that the district would undertake a marketing campaign for the 2013-14 school year to attract more students by advertising its curriculum, Advanced Placement courses and “alternative” education programs.<sup>26</sup>

A few districts still have residents strongly opposed to participating in Schools of Choice, and school officials in some districts investigate enrolled students suspected of being nonresidents.<sup>27</sup> Grosse Pointe, one such district, investigated more than 180 students suspected of being nonresidents during the 2011-12 school year, and denied enrollment to 42 students.<sup>28</sup> Many of the districts that have barred or severely limited Schools of Choice students, including the

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\* These tallies exclude pre-Kindergarten and adult education students, as well as apparent incomplete records in the 2011-12 CEPI data file. “Non-Resident Student Research Tool” (Center for Educational Performance and Information, 2012), accessed Jul. 25, 2012, <http://goo.gl/HdmaEU>.

† Though some districts, such as Chelsea, have technically participated in Schools of Choice without actually admitting a nonresident student, Schools of Choice “participation” is defined here as a school district enrolling a nonresident student. Audrey Spalding, “Reducing ‘Best Practices’ Money Best for Taxpayers” (Mackinac Center for Public Policy, Feb. 15, 2013), accessed Nov. 1, 2013, <http://goo.gl/P6oH4I>; “Non-Resident Student Research Tool” (Center for Educational Performance and Information, 2012), accessed July 25, 2012, <http://goo.gl/HdmaEU>.

Grosse Pointe, Birmingham, Bloomfield Hills, Rochester and Freeland districts, are near academically struggling districts — the Detroit, Pontiac and Saginaw districts, respectively.<sup>29</sup>

The Michigan Department of Education does not collect data on whether school districts limit choice by grade or program.<sup>30</sup> It is not possible to determine how many districts severely limit the seats made available to Schools of Choice students, or if more students would participate in Schools of Choice if more seats were made available.

Requiring districts to participate in Schools of Choice has been recently debated in Michigan. Gov. Rick Snyder promoted this idea in 2011 and said, “Providing open access to a quality education without boundaries is essential. No longer should school districts be allowed to opt out from accepting out-of-district students.”<sup>31</sup> The proposal drew outcry from some school district officials and criticism from the Michigan Association of School Boards.<sup>32</sup> A bill was introduced, but it was not passed by the Legislature.<sup>33</sup>

More recent state-level attempts to increase districts’ level of participation in Schools of Choice have taken the form of financial incentives. For the 2011-12 school year, districts could qualify for the “Best Practice Incentive” and additional per-pupil funding by complying with a list of objectives, one of which was to participate in Schools of Choice.\*

The best practices grant awarded districts a certain amount per student enrolled in the district, though districts could choose to limit the number of seats available under Schools of Choice to just a few students. Therefore, Schools of Choice participation could qualify a district for hundreds of thousands of dollars in state money, though the district may have only opened just a few seats to nonresident students.<sup>†</sup>

### ***Expulsion and suspension rules***

School districts can deny admissions to a prospective student through Schools of Choice if that student has been suspended during the past two years, or expelled at any time.<sup>34</sup> Grounds for suspension are set independently by school boards.<sup>35</sup> The Grand Rapids school district, for example, allows teachers to suspend students who make “profane or vulgar comments,” in addition to allowing suspension for more serious actions, such as physical aggression, or possession of a weapon.<sup>36</sup>

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\* Under Gov. Snyder’s proposed budget for fiscal years 2014 and 2015, districts could receive \$16 per student for meeting specified best practices. For the 2013-14 school year, districts can receive \$52 per pupil for meeting best practices, including accepting nonresident students. Carol Wolenberg, Venessa Keesler and Joseph Martineau, “Guidance on 2013-2014 Best Practice Incentive, Section 22f” (Michigan Department of Education, Aug. 29, 2013), accessed Oct. 23, 2013, <http://goo.gl/8AFZCV>; Rick Snyder and John Nixon, “Executive Budget: Fiscal Years 2014 and 2015” (Michigan Department of Technology, Management and Budget, Feb. 7, 2013) accessed Oct. 23, 2013, <http://goo.gl/HkosG>.

† Several districts, including the Birmingham, Freeland, Chelsea and Rochester school districts, have recently elected to participate in Schools of Choice in a severely limited way in order to access that funding. See Audrey Spalding, “Birmingham Latest District to Exploit Schools of Choice” (Mackinac Center for Public Policy), accessed Nov. 1, 2013, <http://goo.gl/zSQAqU>.

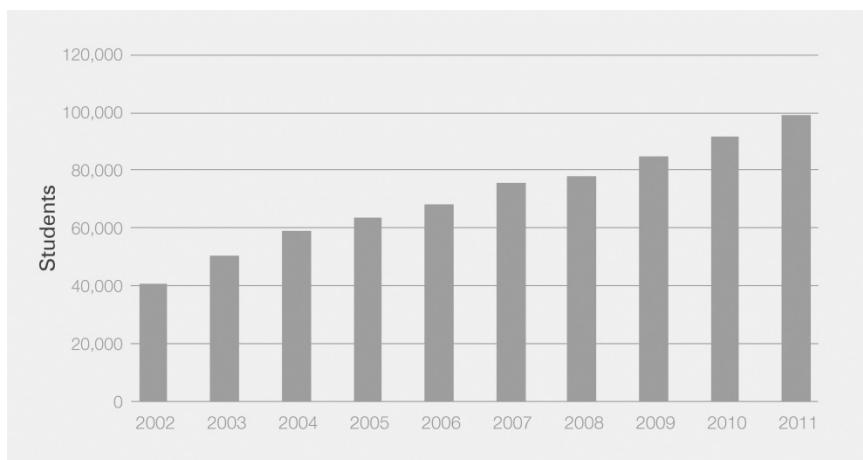
According to federal data, more than 27,000 students in Michigan received one or more in-school suspensions, and more than 36,000 students received one out-of-school suspension during the 2009-10 school year, the latest year information is available.<sup>37</sup> In its 2012 analysis of that data, the New York Times reported that the Pontiac School District, where thousands of resident students use Schools of Choice to attend other districts, had suspended 68 percent of its African-American students.<sup>38</sup>

## Statistics on Schools of Choice

### ***Historic trends***

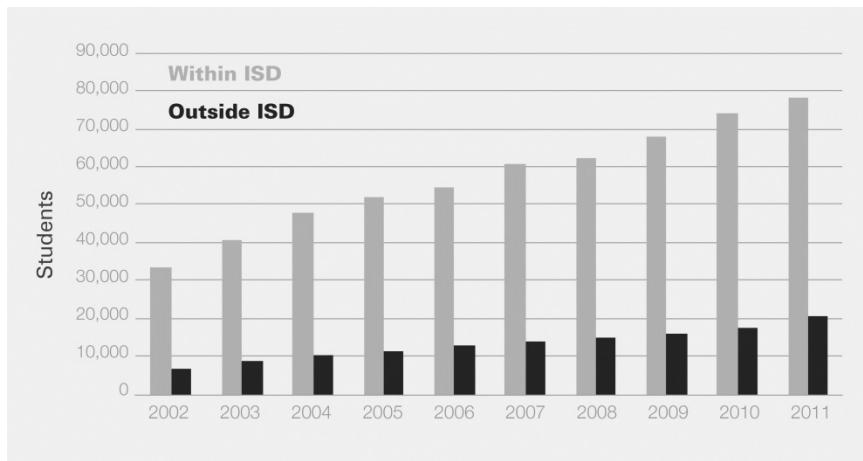
The number of students participating in Schools of Choice has increased dramatically since its inception. During the 1996-97 school year, just 5,611 students attended a school outside of their resident district.<sup>39</sup> For the 2011-12 school year, that amount grew more than 17-fold, to 99,301. As shown in Graphic 1, from 2002-03 to 2011-12, use of School of Choice steadily grew, with the number of students enrolled in nonresident districts increasing each year. Over this recent 10-year period, usage increased by 144 percent.

**Graphic 1: Students Enrolled Through Schools of Choice, 2002-2011**



Source: Center for Educational Performance and Information.

Most Schools of Choice participation happens within a student's resident ISD — 105 Choice. Graphic 2 separates students making use of Schools of Choice through both 105 Choice and 105c Choice (outside of their resident ISD). Seventy-nine percent of students enrolled through Schools of Choice use 105 Choice. The number of students using 105 Choice increased by 132 percent during the past ten years. Though fewer students use 105c Choice, it grew more rapidly — 198 percent over the same period.

**Graphic 2: Students Enrolled Through 105 Choice and 105c Choice, 2002-2011**

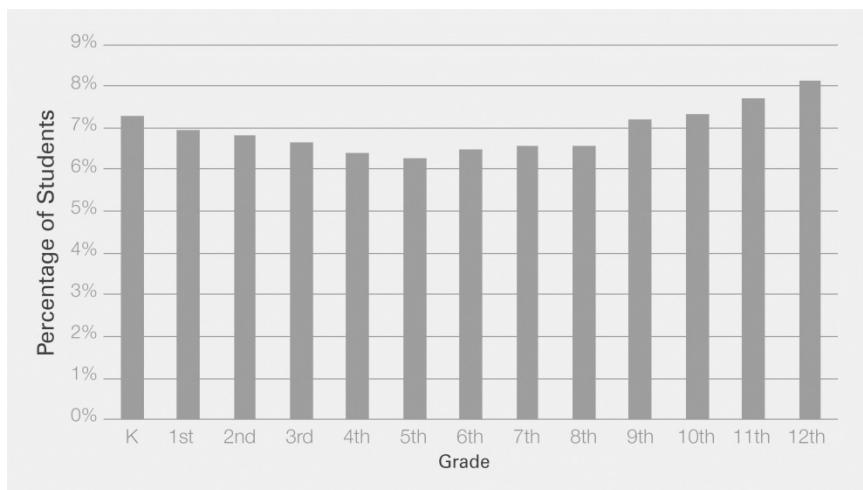
Source: Center for Educational Performance and Information.

### Grade-Level Differences

Use of Schools of Choice tends to happen more frequently at both ends of the grade spectrum than it does in the middle.\* High school students and kindergarten students use Schools of Choice more frequently than students in other grades. This makes some intuitive sense, since in both cases, parents are likely selecting a brand new school for their child. However, of high school students, 11th and 12th graders enroll in districts through Schools of Choice more than ninth or 10th graders. It is difficult to determine why students might switch districts when they are on the verge of graduating, but perhaps some use Schools of Choice to access different or better opportunities they believe will benefit them after they graduate.

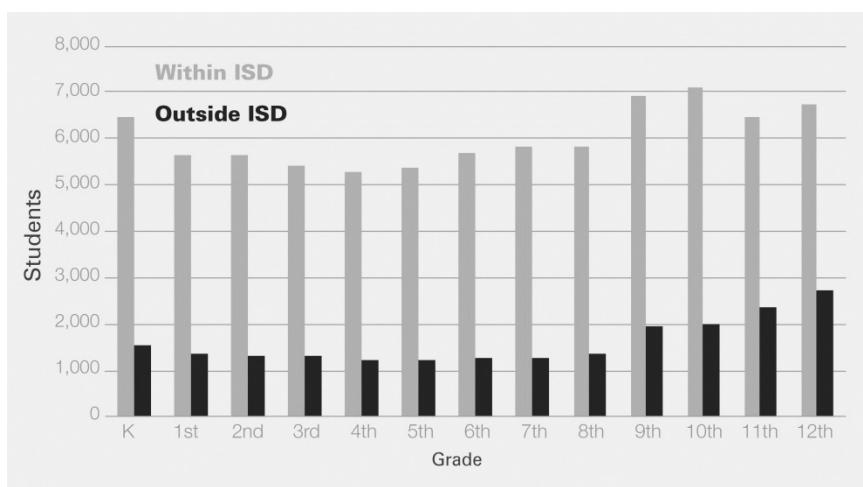
As is shown in Graphic 3, more than 7 percent of Michigan kindergartners and high school students attending conventional schools used Schools of Choice in the 2011-12 school year. In absolute numbers, 12th graders used Schools of Choice the most, with 9,466 high school seniors using the program. More than 8,000 kindergarten students used Schools of Choice during 2011-12 — more than the number of students using Schools of Choice in any elementary or middle school grades.

\* Grade-level Schools of Choice enrollment information was provided by CEPI, and paired with CEPI Fall 2011 student headcount data. District codes were matched with NCES data to identify charter schools. The “total conventional enrollment” tallies do not include charter school or ISD enrollment.

**Graphic 3: Students Enrolled Through Schools of Choice by Grade, 2011-12**

Source: Center for Educational Performance and Information.

Graphic 4 shows grade-level Schools of Choice participation, comparing students using 105 Choice to those using 105c Choice. The overall trends previously identified hold for both 105 Choice and 105c Choice: Kindergartners and high school students tend to use Schools of Choice more than students in other grades. This statistic is somewhat more pronounced though when just considering 105c Choice enrollment. For instance, the number of ninth-graders using Section 105c Choice is nearly 45 percent larger than the number of eighth-graders using it.

**Graphic 4: 105 Choice and 105c Choice by Grade Level, 2011-12**

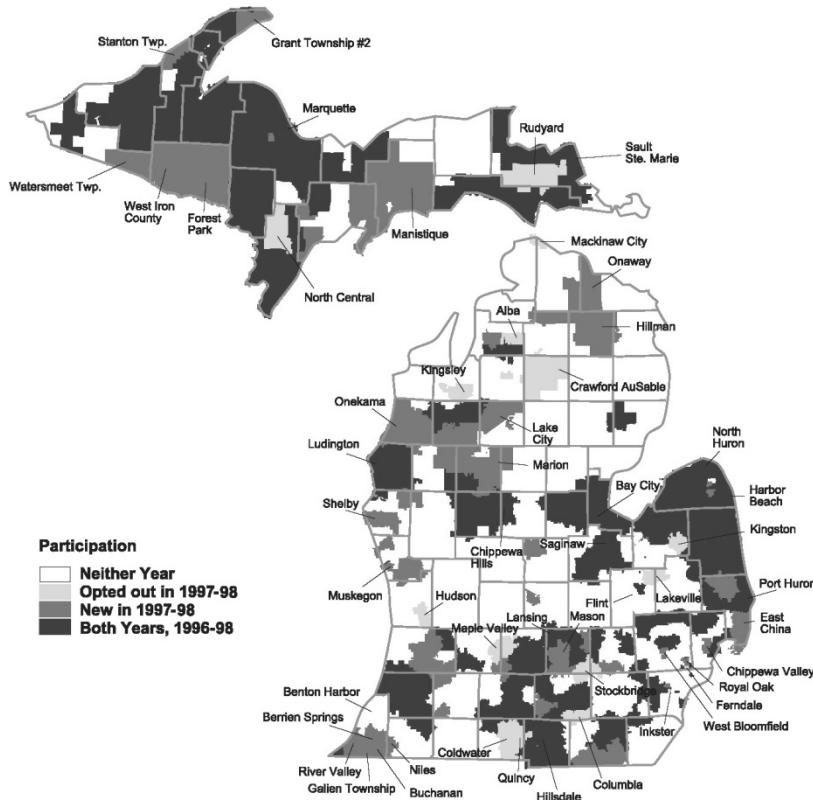
Source: Center for Educational Performance and Information.

### **Schools of Choice by Locale**

A 1999 Michigan State University study mapped participation in Schools of Choice by district across the entire state. That map is reproduced in Graphic 5 — districts shaded in color participated in Schools of Choice for at least one year from 1996 to 1998. As shown, districts participating in Schools of Choice were concentrated in Michigan's more sparsely populated areas:

the Upper Peninsula and in the “thumb” region. Only a few districts in the more densely populated areas — southeastern Michigan, for example — opted to participate in Schools of Choice.

**Graphic 5: District Participation in Schools of Choice, 1996-1998**

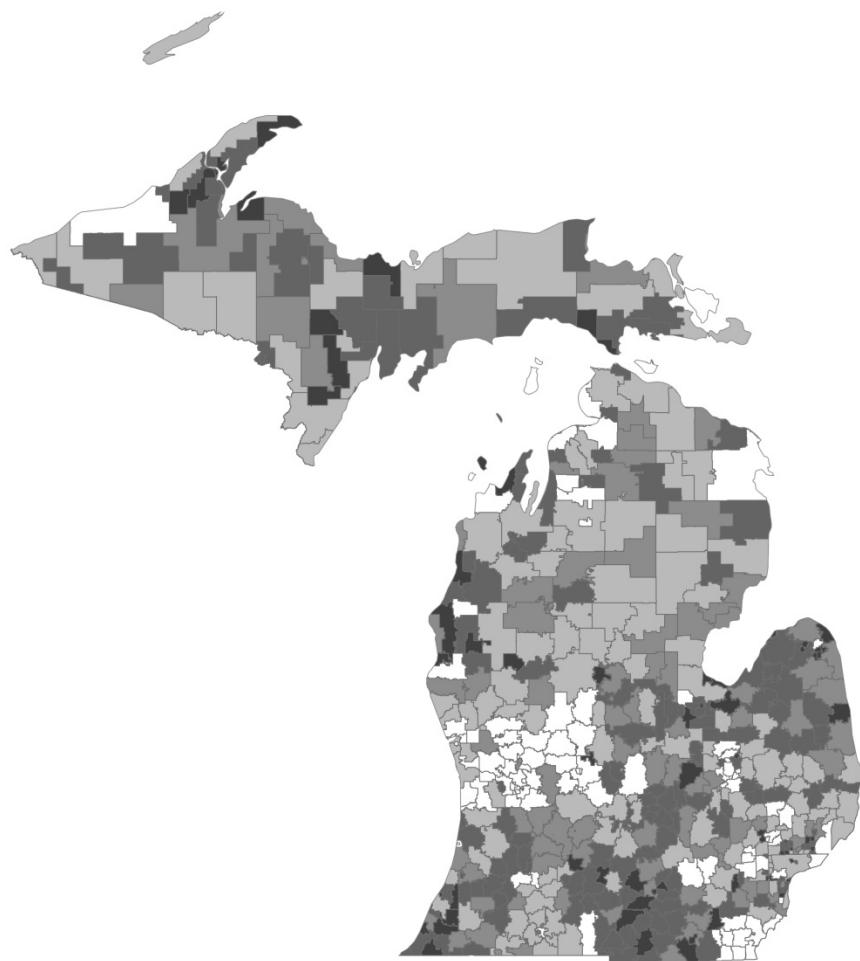


Source: Arsen, et al., "School Choice Policies in Michigan: The Rules Matter" (1999).

A decade later, district participation in Schools of Choice looked very different as it spread geographically throughout the state. Graphic 6 shows Schools of Choice participation for the 2011-12 school year. Districts in the lightest color green reported receiving fewer than 5 percent of their enrollment from Schools of Choice, while districts shaded in darker colors reported receiving between 5 and 10 percent, 10 and 25 percent or more than 25 percent of their enrollment through Schools of Choice.

Districts colored white either did not receive any students through Schools of Choice during the 2011-12 school year, or there was no Schools of Choice information available for them. A large swath of districts in western Michigan do not participate in Schools of Choice, and instead participate in a cooperative choice program run by the Kent County ISD.<sup>40</sup>

**Graphic 6: Percentage of Students Enrolled Through Schools of Choice by District, 2011-12**



Source: Center for Educational Performance and Information.

Schools of Choice participation is most prevalent in rural districts, as shown in Graphic 7, though a majority of all Michigan districts reported receiving at least one student through Schools of Choice during the 2011-12 school year.\* Schools of Choice participation appears to increase for districts that are located in more remote areas. About two-thirds of city districts, three-quarters of suburban districts, 86 percent of town districts and 89 percent of rural districts reported receiving Schools of Choice students.

While 22 suburban districts (16 percent), four town districts (5 percent) and 43 rural districts (15 percent) reported that more than a quarter of their students were enrolled through Schools

\* To analyze Schools of Choice participation by locale, districts were matched with locale codes generated by the National Center for Education Statistics. The NCES locale codes use school address and U.S. Census data to place schools and districts in urban, suburban, town or rural categories. "Identification of Rural Locales" (National Center for Education Statistics), accessed Oct. 24, 2013, <http://goo.gl/YTpOF>. City and suburban districts are closer to dense, urbanized areas, while town and rural districts are further away. Detailed descriptions of each NCES locale category are included in Appendix A: Locale Codes.

of Choice, no city district reported as high of a level of Schools of Choice participation. Although two-thirds of city districts participated in Schools of Choice, most did so to a limited extent: 40 percent of those that participated had less than 5 percent of student enrollment come from Schools of Choice. By contrast, one-third of rural districts reported that 10 to 25 percent of their enrollment came from Schools of Choice. The same was true for about a quarter of both suburban and town districts.

**Graphic 7: District Participation in Schools of Choice by Locale Type, 2011-12**

Locale	< 5%	%	5-10%	%	>10-25%	%	> 25%	%	Districts Participating	Overall %
City	14	60.9%	4	17.4%	5	21.7%	0	0.0%	23	67.6%
Suburb	30	29.4%	16	15.7%	34	33.3%	22	21.6%	102	74.5%
Town	29	40.8%	16	22.5%	22	31.0%	4	5.6%	71	85.5%
Rural	64	24.3%	59	22.4%	97	36.9%	43	16.3%	263	89.2%

Source: Center for Educational Performance and Information, National Center for Education Statistics. Includes only conventional school districts.

More students in rural districts participate in Schools of Choice than any other locale group. Nearly 10 percent of students in rural districts are attending districts through Schools of Choice, compared to 7 percent of town students, 8 percent of suburban students, and just 3 percent of city students. However, since so many students are attending suburban districts, in terms of absolute numbers suburban students account for nearly 60 percent of all Michigan students making use of Schools of Choice.

**Graphic 8: Enrollment in Schools of Choice by Locale Type, 2011-12**

Locale	SOC Enrollment	Total Enrollment	Percentage
City	8,849	316,849	2.8%
Suburb	49,315	619,106	8.0%
Town	12,328	185,312	6.7%
Rural	28,805	298,205	9.7%

Source: Center for Educational Performance and Information, National Center for Education Statistics.  
Totals reflect only enrollment for districts identified as city, suburb, town or rural districts.  
Totals do not include cooperative choice programs.

### Revealed student preferences

One way to understand what students and parents are seeking through Schools of Choice is to examine their choices — what economists call “revealed preference.” The 1999 Michigan State University study teased out student preferences by comparing the characteristics of a school district that a student left to the characteristics of the school district that student enrolled in through Schools of Choice. This type of analysis allows researchers to look at revealed student, or perhaps, parental preferences.

A selection of the 1999 MSU study findings are reproduced in Graphic 9 and compared to findings from the 2011-12 school year, using a similar methodology.\* Each choice is weighted by the number of students making it; for example, if 11 students used Schools of Choice to transfer from a school in Detroit Public Schools to a school in Dearborn, that transfer would count 11 times toward the averages reported below. If just one student used Schools of Choice to transfer from a school in Dearborn to a DPS school, that transfer would count just once toward the average below.

Averages were computed for Schools of Choice participation statewide. A separate column shows the analysis for all districts, excluding students who left Detroit Public Schools, since that district — by far, the largest in the state — may have a disproportionate impact on the overall results.

During the 2011-12 school year, students and parents appeared to make similar choices to those made more than a decade ago. In general, they moved to districts with better academic outcomes overall. Michigan students and parents used Schools of Choice in 2011-12 to move to districts with higher average proficiency rates on the Michigan Educational Assessment Program tests (measured for seventh graders), higher graduation rates and lower dropout rates. The average difference between MEAP proficiency rates of districts students exited and districts students entered is slightly larger in magnitude to the difference observed in the 1999 MSU study.

Statewide, students tended to choose districts with higher average teacher salaries, but when DPS was excluded, the districts students entered appeared to pay roughly the same amount. Students also tended to leave larger districts for smaller ones, choosing districts, on average, that had 4,622 fewer students. The impact of DPS was large here again: Students and parents chose slightly larger districts on average, when DPS is excluded from the analysis.

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\* CEPI's 2011-12 Schools of Choice dataset was matched with data from MDE's MEAP proficiency file for 2011-12, as well as with graduation and dropout rate data, student-to-teacher ratio data, expenditure data, teacher salary data, enrollment data, free and reduced-price lunch data and student ethnicity data: "Non-Resident Student Research Tool" (Center for Educational Performance and Information, 2012), accessed July 25, 2012, <http://goo.gl/HdmaEU>; "Fall 2011 MEAP Four Year Comparison (Gap Analysis)" (Michigan Department of Education, 2012), accessed Nov. 15, 2013, <http://goo.gl/uexp2>; "2012 Cohort Four-Year, 2011 Cohort Five-Year and 2010 Six-Year Graduation and Dropout Rates Including Subgroups" (Center for Educational Performance and Information, 2012), accessed Nov. 15, 2013, <http://goo.gl/MGimd>; National Center for Education Statistics, "Common Core of Data" (Institute of Education Sciences, 2011), <http://goo.gl/i2hJnL>; "Public Student Counts (Headcount Data)" (Center for Educational Performance and Information), accessed Oct. 24, 2013, <http://goo.gl/Uj3IKA>.

**Graphic 9: Revealed Student/Parental Preferences Through Schools of Choice, 1999, 2011-12**

District Characteristic	1999	2011-12	1999, ex. DPS	2011-12, ex. DPS
<b>Math proficiency rate</b>	5.1	8.0	6.9	8.4
<b>Reading proficiency rate</b>	3.2	8.9	5.1	9.6
<b>Graduation rate</b>	9.4	5.2	6.6	6.8
<b>Drop-out rate</b>	-3.6	-2.9	-2.2	-3.4
<b>Pupil-teacher ratio</b>	0.3	0.9	-0.1	0.7
<b>Expenditures per pupil</b>	-\$314	-\$1,773	-\$377	-\$899
<b>Mean teacher salary</b>	\$1,766	\$1,385	\$174	\$1,063
<b>District enrollment</b>	-15,571	-4,682	-1,737	326
<b>Percent free/reduced lunch</b>	-9.8	-10.7	-10.9	-11.2
<b>Percent African-American</b>	-12.2	-11.1	-12.0	-10.8

Source: Arsen, et al., "School Choice Policies in Michigan: The Rules Matter" (1999), CEPPI, MDE, NCES.

As observed in the MSU study, students continued to move to districts with a lower proportion of students eligible for free or reduced-price lunch, as well as to districts with a lower percentage of African-American students. This trend may be related to students' tendency to move to districts with higher average MEAP proficiency rates — students from higher-income families tend to do better on standardized tests on average.<sup>41</sup>

A familiar criticism regarding the expansion of School of Choice is that students will use it to leave city districts for suburban ones. This is an observed trend: Of students using Schools of Choice to leave city districts, 74 percent opted for a suburban district. This proportion drops to 66 percent if DPS students are excluded from the analysis. This is not surprising since a suburban school district is by definition near an urban center.

However, the statewide trend is different. Graphic 10 compares locale categories among educating districts (where Schools of Choice students opted to attend) to resident districts (the district students chose to leave). Most Michigan students are using Schools of Choice to attend a district within a similar locale to their resident district's.

**Graphic 10: Schools of Choice Movement by Locale Type, 2011-12**

Educating District	Resident District				
	City	Rural	Suburb	Town	Total*
<b>City</b>	3,453	969	4,182	245	8,849
<b>Suburb</b>	19,871	3,169	25,302	973	49,315
<b>Town</b>	725	7,187	1,156	3,263	12,331
<b>Rural</b>	2,818	14,795	2,859	8,334	28,806
<b>Total*</b>	26,867	26,120	33,499	12,815	99,301

Source: Center of Educational Performance and Information, National Center for Education Statistics.

\* Data from districts without locale codes was excluded.

Of the more than 49,000 Schools of Choice students who attended suburban districts, for example, more than half left a different suburban district. Similarly, more than half of Schools of Choice students attending a rural district left a different rural district.

Many students who left a town district opted for a school in a rural one. Of the 12,815 students who left a town district, 8,334 — 65 percent — left for a rural district. Meanwhile, about 28 percent of students who left a rural district chose a school in a town district.

The tendency of students living in town districts to choose schools located in rural districts may be due simply to the location and number of rural districts. There are more than three times as many rural districts as there are town districts, and town districts frequently border, or are even surrounded by, rural districts. Similarly, most city districts are surrounded, or nearly surrounded, by suburban districts. Of the 34 districts categorized as city, all but two are adjacent to at least one suburban district.

## **Schools of Choice's Net Impact on Districts**

Students are not using Schools of Choice equally across all Michigan school districts. Some districts have seen large Schools of Choice gains, while others have seen large losses. This section discusses districts with the largest Schools of Choice gains and losses.

### ***Districts gaining the most students***

Graphic 11 displays the 50 school districts receiving the most students through Schools of Choice. It displays a district's total enrollment for the 2011-12 school year, its Schools of Choice enrollment and the percent of its total enrollment made up by School of Choices students.

This information does not include nonresident students entering districts through other means, such as paying tuition. While many districts, such as the Clintondale and Corunna school districts, receive nearly all nonresident students through Schools of Choice, others, such as Carrollton and Berkley, receive a large proportion of nonresident students through other means.

The Clintondale school district receives the largest number of students through Schools of Choice, with 2,547 of its 3,715 K-12 students coming to the district through the program. Oak Park receives the next-largest amount, with 1,825 students, or 44 percent of its enrollment. DPS is the 14th district, enrolling 1,033 students through Schools of Choice, but this amounted to just 1.6 percent of the district's total enrollment. In total, 227 Michigan school districts enroll 10 percent or more of their students come from Schools of Choice programs.

**Graphic 11: Largest Enrollment Gains  
Per Schools of Choice, 2011-12**

Rank	District	SOC Enrollment	Total Enrollment	Percent SOC
1	Clintondale	2,547	3,715	68.56%
2	Oak Park	1,825	4,181	43.65%
3	West Bloomfield	1,728	6,523	26.49%
4	Lakeview (Macomb)	1,587	3,795	41.82%
5	Fraser	1,399	5,277	26.51%
6	Utica	1,276	28,697	4.45%
7	Dearborn Heights #7	1,186	2,909	40.77%
8	Warren Consolidated	1,176	15,473	7.60%
9	Riverview	1,154	2,832	40.75%
10	L'Anse Creuse	1,124	11,768	9.55%
11	Inksiter	1,109	2,660	41.69%
12	Holt	1,107	5,846	18.94%
13	Southgate	1,080	5,387	20.05%
14	Detroit	1,033	66,132	1.56%
15	Ypsilanti	1,021	3,654	27.94%
16	Ferndale	961	3,712	25.89%
17	Saginaw	934	7,896	11.83%
18	Chippewa Valley	913	16,207	5.63%
19	Lakeview (Calhoun)	865	3,920	22.07%
20	Allen Park	853	3,777	22.58%
21	Lake Shore (Macomb)	845	3,554	23.78%
21	Westwood	845	2,748	30.75%
23	Berkley	841	4,606	18.26%
24	Carrollton	835	2,050	40.73%
25	Corunna	829	2,243	36.96%
26	Western	819	2,927	27.98%
27	Jenison	814	4,652	17.50%
28	Warren Woods	776	3,409	22.76%
29	Bangor Township	746	2,533	29.45%
30	East Lansing	736	3,423	21.50%
31	Pennfield	729	2,100	34.71%
32	Madison (Lenawee)	699	1,521	45.96%
33	Saginaw Township	696	5,060	13.75%
34	Waterford	675	10,933	6.17%
35	Wyandotte	659	3,961	16.64%
36	Melvindale-North Allen Park	651	2,844	22.89%
37	Garden City	641	4,758	13.47%
38	Royal Oak	623	5,172	12.05%
39	Hartland	619	5,598	11.06%
40	Huron Valley	595	9,918	6.00%
41	Troy	590	12,306	4.79%
42	Jonesville	578	1,469	39.35%
43	Roseville	564	5,233	10.78%
44	Clawson	560	1,794	31.22%
45	Milan	557	2,586	21.54%
46	Oxford	554	4,875	11.36%
47	Swan Valley	550	1,815	30.30%
48	Brighton	546	6,130	8.91%
49	Madison (Oakland)	544	1,332	40.84%
50	Berrien Springs	543	2,140	25.37%

Source: Center for Educational Performance and Information.

### **Districts losing the most students**

DPS lost the most students to Schools of Choice during the 2011-12 school year. More than 7,800 students used the program to leave DPS to attend other districts. The district with the next-highest losses is Lansing, which saw 2,572 students leave the district to enroll in a different public school.

The figure below shows the 50 districts with the largest enrollment losses under Schools of Choice. Eight of the districts below saw more than a third of their resident students leave for other districts through Schools of Choice: Madison (47 percent), Clintondale (46 percent), Mount Clemens (44 percent), Albion (44 percent), Ecorse (41 percent), Willow Run (39 percent), East Detroit (38 percent) and River Rouge (37 percent).

Of the 50 districts listed below, 16 appear both on the top-50 and bottom-50 list. Clintondale, a district where 69 percent of the enrolled students are Schools of Choice students, also saw 988 students leave using Schools of Choice. Overall, the district had a net gain of 1,559 students. Other districts that appear on both the top- and bottom-50 lists are Chippewa Valley, Detroit, Ferndale, L'Anse Creuse, Madison (Oakland), Oak Park, Roseville, Saginaw Township, Saginaw, Inkster, Ypsilanti, Utica, Warren Consolidated, Waterford and Westwood.

**Graphic 12: Largest Enrollment Losses  
Per Schools of Choice, 2011-2012**

Rank	District Name	Exiting via SOC	Percent Exiting
1	Detroit	7,856	10.77%
2	Lansing	2,572	17.10%
3	East Detroit	2,202	37.60%
4	Pontiac	2,100	27.90%
5	Jackson	1,816	24.08%
6	Saginaw	1,784	20.40%
7	Battle Creek	1,646	23.80%
8	Roseville	1,543	24.84%
9	Lincoln Park	1,436	24.57%
10	Benton Harbor	1,348	30.54%
11	Bay City	1,336	13.95%
12	Adrian	1,203	29.17%
13	Warren Consolidated	1,143	7.40%
14	Mount Clemens	1,020	44.21%
15	Oak Park	1,020	30.21%
16	Taylor	1,005	12.06%
17	Clintondale	988	45.83%
18	Southfield	921	11.27%
19	Willow Run	903	39.38%
20	Chippewa Valley	827	5.13%
21	Van Dyke	823	21.59%
22	Waterford	770	6.98%
23	Howell	747	8.75%
24	Owosso	716	18.55%
25	Madison (Madison Heights)	708	47.33%
26	Saginaw Township	675	13.40%
27	Albion	651	44.32%

Rank	District Name	Exiting via SOC	Percent Exiting
28	New Haven	634	32.55%
29	Lincoln Consolidated	605	12.49%
30	Flint	602	5.90%
31	Van Buren	571	10.54%
32	Ecorse	534	40.73%
33	Inkster	530	25.47%
34	South Lake	521	24.19%
35	Utica	517	1.85%
36	Port Huron	493	4.84%
37	Hillsdale	491	26.37%
38	Woodhaven-Brownstown	490	9.77%
39	Ypsilanti	481	15.45%
40	Hudsonville	481	7.49%
41	Wayne-Westland	474	3.82%
42	Tecumseh	473	14.93%
43	Holly	471	12.33%
44	Niles	470	11.79%
45	Northwest	455	14.42%
46	Westwood	443	18.88%
47	Ferndale	437	13.71%
48	L'Anse Creuse	425	3.84%
49	River Rouge	404	37.30%
50	Kalamazoo	378	2.93%

Source: Center for Educational Performance and Information.

### ***Net Impact of Schools of Choice on Districts***

For conventional schools, residency is generally the determining factor for which public school a child will attend. However, through Schools of Choice, some districts report that a majority of their residents have left for other districts, while others report that a majority of their enrolled students are nonresident students.

After accounting for both Schools of Choice enrollment gains and losses, 256 school districts saw a net enrollment gain of students under Schools of Choice. For the 2011-12 school year, the following 33 districts (with enrollments exceeding 100 students) had more than 20 percent of their final net enrollment come from students entering through Schools of Choice.\* None of the districts on this list are city districts: Fourteen are suburban, 16 are rural and three are districts located in towns.

\* This analysis is limited to districts with at least 100 students, because many small districts were disproportionately highly ranked in terms of the percentage of students enrolled through Schools of Choice.

**Graphic 13: Net Gains Per Schools of Choice  
Greater Than 20 Percent of Enrollment, 2011-12**

Rank	District Name	Enrollment	Entering via SOC	Exiting via SOC	Net SOC	% Net SOC
1	West Bloomfield	6,523	1,728	68	1,660	25.45%
2	Clintondale	3,715	2,547	988	1,559	41.97%
3	Lakeview (Macomb)	3,795	1,587	157	1,430	37.68%
4	Fraser	5,277	1,399	231	1,168	22.13%
5	Riverview	2,832	1,154	79	1,075	37.96%
6	Dearborn Heights #7	2,909	1,186	236	950	32.66%
7	Western	2,927	819	81	738	25.21%
8	Carrollton	2,050	835	114	721	35.17%
9	Corunna	2,243	829	176	653	29.11%
10	Pennfield	2,100	729	81	648	30.86%
11	Bangor Township	2,533	746	112	634	25.03%
12	Inkster	2,660	1,109	530	579	21.77%
13	Swan Valley	1,815	550	63	487	26.83%
14	Madison (Lenawee)	1,521	699	222	477	31.36%
15	Berrien Springs	2,140	543	70	473	22.10%
16	Clawson	1,794	560	92	468	26.09%
17	Jonesville	1,469	578	129	449	30.57%
18	Vandercook Lake	1,275	498	83	415	32.55%
19	Essexville-Hampton	1,771	505	96	409	23.09%
20	Houghton-Portage Township	1,333	430	68	362	27.16%
21	Sand Creek	952	348	54	294	30.88%
22	Watervliet	1,338	384	99	285	21.30%
23	Bridgman	988	297	40	257	26.01%
24	Genesee	825	263	50	213	25.82%
25	Reese	911	240	27	213	23.38%
26	Beal City	671	262	65	197	29.36%
27	New Lothrop	881	216	20	196	22.25%
28	Eau Claire	801	345	150	195	24.34%
29	Bark River-Harris	691	193	18	175	25.33%
30	Saugatuck	838	179	8	171	20.41%
31	Pittsford	671	239	90	149	22.21%
32	Mar Lee	326	172	51	121	37.12%
33	Leland	455	132	36	96	21.10%

Source: Center for Educational Performance and Information.

There are 47 school districts of 100 students or more where the number of students leaving through Schools of Choice amounts to more than 20 percent of the district's total resident students. The Galien Township School District (which closed after the 2012-13 school year) saw the largest proportional losses, with more students leaving than those who stayed.

Unlike the previous list, there are four city districts that saw a net loss of 20 percent or more: Pontiac, Battle Creek, Van Dyke and Jackson.\* Eleven of the districts listed below are suburban, 29 are rural and three are located in towns.

**Graphic 14: Net Losses Per Schools of Choice  
Greater than 20 Percent of Enrollment, 2011-2012**

Rank	District Name	Enroll- ment	Exiting via SOC	Net SOC	% Net SOC
1	East Detroit	3,677	2,202	-2,179	37.46%
2	Pontiac	5,430	2,100	-2,097	27.89%
3	Battle Creek	5,393	1,646	-1,524	23.38%
4	Jackson	6,055	1,816	-1,487	23.07%
5	Benton Harbor	3,089	1,348	-1,325	30.38%
6	Lincoln Park	4,773	1,436	-1,072	23.13%
7	Roseville	5,233	1,543	-979	22.77%
8	Adrian	3,187	1,203	-937	27.40%
9	Mount Clemens	1,534	1,020	-773	39.94%
10	Van Dyke	3,088	823	-724	21.04%
11	Albion	820	651	-649	44.26%
12	Willow Run	1,672	903	-621	35.07%
13	New Haven	1,328	634	-620	32.31%
14	Hillsdale	1,535	491	-327	24.23%
15	Mayville	779	333	-297	29.95%
16	Ecorse	1,016	534	-295	34.45%
17	Baldwin	599	277	-276	31.62%
18	Buena Vista	644	357	-270	35.66%
19	River Valley	688	294	-221	29.94%
20	Bellevue	616	267	-206	30.24%
21	Akron-Fairgrove	275	199	-181	41.98%
22	Galien	126	211	-171	62.61%
23	Madison (Oakland)	1332	708	-164	34.71%
24	Addison	897	264	-158	22.74%
25	Covert	531	153	-133	22.37%
26	Martin	586	215	-129	26.84%
27	Morrice	552	224	-128	28.87%
28	Merrill	722	203	-122	21.95%
29	Litchfield	329	141	-116	30.00%
30	Vanderbilt	154	119	-107	43.59%
31	Mason County Eastern	483	201	-107	29.39%
32	Athens	612	156	-99	20.31%
33	Stanton Township	140	86	-85	38.05%
34	North Adams-Jerome	434	186	-80	30.00%
35	East Jackson	1244	315	-80	20.21%
36	Tekonsha	286	101	-68	26.10%
37	Owendale-Gagetown	199	102	-62	33.89%
38	Chassell Township	262	105	-55	28.61%

\* Pontiac and Battle Creek appear to be struggling academically and financially. See: Jennifer Chambers, "Pontiac School Board OKs Consultant for Consent Agreement," *The Detroit News*, Oct. 15, 2013, accessed Oct. 24, 2013, <http://goo.gl/xH7lfN>; Karen Lynn Todd, "BCPS Superintendent: Teachers, Outdoor Ed Center on Block," *Battle Creek Enquirer*, May 20, 2013, accessed Oct. 24, 2013, <http://goo.gl/MEMCV4>; Lindsay Knake, "Saginaw County School Districts See Spikes, Sharp Declines in Enrollment," *MLive*, Oct. 3, 2013, accessed Oct. 24, 2013, <http://goo.gl/SLoDTP>.

Rank	District Name	Enrollment	Exiting via SOC	Net SOC	% Net SOC
39	Arenac Eastern	265	73	-51	21.60%
40	Waldron	293	94	-39	24.29%
41	Suttons Bay	649	178	-34	21.52%
42	Republic-Michigamme	141	39	-29	21.67%
43	Kaleva Norman Dickson	626	163	-17	20.66%
44	Northport	152	42	-16	21.65%
45	Onekama	419	112	8	21.09%
46	River Rouge	1147	404	64	26.05%
47	Clintondale	3715	988	1559	21.01%

Source: Center for Educational Performance and Information.

## Recommendations and Conclusion

Michigan students who use Schools of Choice tend to pick districts with better average test scores and higher graduation rates. Simply, they appear to be choosing schools with better outcomes. Schools of Choice is a policy that has demonstrated increasing popularity, with more than twice as many students using it today than were 10 years ago. Moreover, relatively large rates of participation throughout all areas of the state show that Schools of Choice is a policy that serves significant numbers of students in both urban and rural areas — no small accomplishment.

Though districts have the most control over how many or whether students will be allowed to enroll through Schools of Choice, some state laws and policies still limit districts that may want to enroll more Schools of Choice students. Small changes to state policy could help students access better options by easing restrictions on geography and funding, and limiting districts' ability to pick and choose incoming students.

### Geographic Limitations

State law only allows students to use Schools of Choice to attend schools either within their ISD (105 Choice) or within an ISD that borders theirs (105c Choice). Cooperative School of Choice programs tend to be limited to districts within a student's resident ISD.\* As discussed, nearly 80 percent of students using Schools of Choice are attending a school in a district within their resident ISD. The districts most likely to be affected by this limitation are those that offer online or other innovative academic programs — they are not able to enroll students who live farther away, even if those students would be taking courses where little or no physical attendance is required.

Districts are also unable to open schools outside of their boundaries. While this might seem like an unlikely scenario, there are many Michigan districts that enroll a large number of students who do not live within their district. It is certainly possible that districts such as Clintondale or West Bloomfield, which take in more than 1,000 Schools of Choice students each, could make use of the ability to open a school in the community of nonresident students

\* Although some districts, such as Berrien Springs, are establishing cooperative programs with districts outside their own ISD.

they serve. To provide more students with more choices, all geographic limitations on Schools of Choice should be removed.

### ***Student Funding***

A recent proposal to rework the way Michigan funds education suggested removing a district's "ownership" of a student and make it easier for students to take courses from multiple districts in a single school year.<sup>42</sup> Full implementation of proportional funding, as already required in the 2013 State Aid Act, would enable districts to receive proportional funding for students taking less than a full course load at their schools.<sup>43</sup>

Unfortunately, efforts to implement this model have been unsuccessful. Making a similar change in the way receiving districts are funded for Schools of Choice students would enable districts offering online courses to reach more nonresident students.

### ***Picking and Choosing Students***

Some districts take advantage of the Best Practices Incentive designed to increase Schools of Choice participation,<sup>44</sup> and all Michigan districts have the ability to turn down a prospective Schools of Choice student if he or she has been expelled. State law should protect future abuses of these incentive programs and limit potential discrimination among students by imposing limited Schools of Choice participation requirements.

Districts could be required to open a minimum number of seats up to nonresident students through Schools of Choice, subject to reasonable limitations. A threshold of 5 percent could both provide Schools of Choice students with better public school options while also protecting schools from having to take in more students than they can reasonably serve.

The state could also remove the ability of conventional schools to turn away students who have a history of past suspensions, while allowing schools to retain the ability to turn away students expelled for more serious offenses. This policy impacts more than 27,000 Michigan students. By amending it, the state would help struggling students have access to more educational options.

## Appendix A: Locale Codes\*

The locale codes used in this paper come directly from the National Center for Education Statistics. Locale codes represent how far away a particular school is from an urbanized area, and are based on a school's physical street address.<sup>45</sup> According to the NCES, the geographic information used to create locale codes is updated for about one-third of communities every year.

Verbatim definitions of each locale code category are below:

**Graphic 10: NCES Locale Code Definitions (Verbatim From Original)<sup>46</sup>**

Locale Code	Verbatim NCES Description
City: Large	Territory inside an urbanized area and inside a principal city with population of 250,000 or more.
City: Midsize	Territory inside an urbanized area and inside a principal city with population less than 250,000 and greater than or equal to 100,000.
City: Small	Territory inside an urbanized area and inside a principal city with population less than 100,000.
Suburb: Large	Territory outside a principal city and inside an urbanized area with population of 250,000 or more.
Suburb: Midsize	Territory outside a principal city and inside an urbanized area with population less than 250,000 and greater than or equal to 100,000.
Suburb: Small	Territory outside a principal city and inside an urbanized area with population less than 100,000.
Town: Fringe	Territory inside an urban cluster that is less than or equal to 10 miles from an urbanized area
Town: Distant	Territory inside an urban cluster that is more than 10 miles and less than or equal to 35 miles from an urbanized area.
Town: Remote	Territory inside an urban cluster that is more than 35 miles from an urbanized area.
Rural: Fringe	Census-defined rural territory that is less than or equal to 5 miles from an urbanized area, as well as rural territory that is less than or equal to 2.5 miles from an urban cluster.
Rural: Distant	Census-defined rural territory that is more than 5 miles but less than or equal to 25 miles from an urbanized area, as well as rural territory that is more than 2.5 miles but less than or equal to 10 miles from an urban cluster.
Rural: Remote	Census-defined rural territory that is more than 25 miles from an urbanized area and is also more than 10 miles from an urban cluster.

\* Some of this language also appears previously published Mackinac Center studies.

## **About the Author**

Audrey Spalding is the director of education policy at the Mackinac Center for Public Policy. She oversees the Center's education research and publications, including Michigan Education Digest. She is author of "The Michigan Context and Performance Report Card: Public Elementary and Middle Schools, 2013." She started at the Center in 2012 as an education policy analyst.

Before joining the Center, Spalding worked as a policy analyst at the St. Louis-based Show-Me Institute, where she provided analytical research and legislative testimony on tax credits, land banks and education. Her public policy op-eds have been published in a variety of newspapers, including The Detroit News, the St. Louis Post-Dispatch, the St. Louis Business Journal and The Kansas City Star.

Prior to her time at Show-Me, Spalding was an education reporter for the Columbia Missourian, where she was a co-recipient of the 2008 Missouri Press Association's Community Service Award for her efforts to highlight school district expenditures.

Spalding received her bachelor's degree from the University of Missouri, double-majoring in journalism and economics. She is a native and resident of Ann Arbor, Mich.

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## Endnotes

- 1 Author's calculations based on "Public Data Sets" (Center for Educational Performance and Information), accessed Oct. 24, 2013, <http://goo.gl/bGd43Z>; "Public Student Counts (Headcount Data)" (Center for Educational Performance and Information), accessed Oct. 24, 2013, <http://goo.gl/Uj3IKA>.
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